‘Amalgamations: To Merge or not to Merge?’

Part One: Context and Key Issues

Part Two: Excerpts from ‘Consolidation in Local Government: A Fresh Look’
(2011) Australian Centre of Excellence for Local Government

A Background Paper prepared for the LGNSW Learning Solutions workshop ‘Amalgamations: To Merge or not to Merge?’

February 2015
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PART ONE: CONTEXT AND KEY ISSUES

This paper summarises research findings on some of the major issues to be considered in relation to the proposals of the Independent Local Government Review Panel (ILGRP 2013a) for further structural reform in NSW, and the State Government’s subsequent Fit for the Future package.

The ILGRP proposed a mix of four approaches to structural reform:

- Amalgamations
- Regional collaboration/shared services through establishment of statutory ‘Joint Organisations’
- Introducing additional options for sub-council community governance
- Creating a new category of ‘Rural Council’.

This paper deals with the first three. The concept of ‘Rural Councils’ was a new one and at present there is limited evidence upon which to base meaningful analysis.

1. Context

The number of local councils across Australia has declined steadily over the past century (Table 1). This decline is principally the result of amalgamations forced or strongly promoted by State – and to some extent – federal governments, usually after some sort of review or inquiry.

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>NSW</td>
<td>324</td>
<td>224</td>
<td>175</td>
<td>176</td>
<td>177</td>
<td>152</td>
<td>152</td>
<td>-53%</td>
</tr>
<tr>
<td>VIC#</td>
<td>206</td>
<td>210</td>
<td>211</td>
<td>210</td>
<td>184</td>
<td>79</td>
<td>79 (+1)</td>
<td>-61%</td>
</tr>
<tr>
<td>QLD*</td>
<td>164</td>
<td>131</td>
<td>134</td>
<td>134</td>
<td>125</td>
<td>73</td>
<td>77</td>
<td>-53%</td>
</tr>
<tr>
<td>SA</td>
<td>175</td>
<td>142</td>
<td>127</td>
<td>122</td>
<td>119</td>
<td>68</td>
<td>68</td>
<td>-61%</td>
</tr>
<tr>
<td>WA</td>
<td>147</td>
<td>144</td>
<td>138</td>
<td>138</td>
<td>144</td>
<td>142</td>
<td>142</td>
<td>-3%</td>
</tr>
<tr>
<td>TAS</td>
<td>51</td>
<td>49</td>
<td>49</td>
<td>46</td>
<td>29</td>
<td>29</td>
<td>29</td>
<td>-43%</td>
</tr>
<tr>
<td>NT^</td>
<td>0</td>
<td>1</td>
<td>6</td>
<td>22</td>
<td>63</td>
<td>16</td>
<td>16 (+)na</td>
<td></td>
</tr>
</tbody>
</table>

# A separate Sunbury City Council is to be created in July 2015 of what is now Hume City Council
* Figures to 1995 exclude Indigenous community councils established under separate legislation; by 2008 these had been included in the ‘mainstream’ system. Four additional councils were created in January 2014 by de-amalgamations.
^ Figures to 1995 include Indigenous community councils; in 2008 most of these were abolished and replaced with large ‘shires’, each incorporating several small communities. Further restructuring in January 2014 will create a substantial number of largely advisory ‘local authorities’ within the shires (now renamed as ‘regional councils’).

Australia is characterised by enormous variations in both the geographic size of local government areas and their populations. This reflects the country’s environmental diversity and the history of local government: some municipalities were established voluntarily by small
communities in towns or suburbs, whilst large rural-remote shires were created arbitrarily to cover vast areas of grazing country, outback or desert.

Views about how large or small local government areas should now be are linked in part to perceptions of the role local government plays – or should play – in the evolving Australian federation. The range of functions undertaken by councils has expanded considerably over recent decades, notably into areas such as environmental management, economic development and community services. But there remain strongly differing opinions as to the merits of these changes and how far they should go. For example, the Independent Inquiry into NSW local government (2006) contrasted ‘minimalist’ and ‘maximalist’ views on the future role of local government, and questioned whether councils could continue to undertake an expanded range of functions whilst remaining financially sustainable and dealing with a growing infrastructure backlog.

Thus there are many in local government who favour a ‘back to basics’ approach as a means of securing the financial position of councils, and whose agenda is one of focusing strongly on local community issues rather than seeking a stronger role and position in the wider system of government. This agenda is typically linked to a view that council areas and populations should remain small-medium, and that amalgamations would threaten the ‘local’ in local government and should be resisted.

On the other hand, it may be argued that local government – or at least larger, better resourced councils – can and should seek to play an expanded role in the system of government and that this would benefit their communities through increased engagement and influence in state and federal circles.

1.1 Structural Reform in NSW

As Table 1 shows, NSW has seen a large number of council amalgamations over the past century, but in contrast to most other States, most of the mergers took place in the middle decades of the 20th Century, and State interventions have typically focused on a relatively small number of councils at any one time.

**Table 2: Recent history of structural reform in NSW**

<table>
<thead>
<tr>
<th>Year</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937</td>
<td>Greater Newcastle Act amalgamated 9 municipalities</td>
</tr>
<tr>
<td>1947</td>
<td>Greater Wollongong amalgamation of 2 municipalities</td>
</tr>
<tr>
<td>1948</td>
<td>County of Cumberland amalgamations (68 to 39, including adding 8 municipalities to City of Sydney); Shoalhaven Shire amalgamation of 5 municipalities</td>
</tr>
<tr>
<td>1976-80</td>
<td>Boundaries Commission steered changes affecting 50 councils (some voluntary)</td>
</tr>
<tr>
<td>1981</td>
<td>38 councils merged into 17</td>
</tr>
</tbody>
</table>
Since 1948 there have been no State interventions in the Sydney metropolitan region, except for repeated changes to the boundaries of the City of Sydney and the decision in 1991 to allow the Pittwater area to separate from Warringah Shire.

In 1997 the then NSW Local Government and Shires Associations issued a discussion paper on voluntary structural reform (including mergers, boundary changes and shared services). It suggested that ongoing change was inevitable and councils needed to be proactive in implementing the right sort of changes for their areas. It also pointed to research showing that previous rounds of amalgamations had generally produced good results. However, only four voluntary mergers ensued.

### 2. The Case for Amalgamations

Amalgamations have usually been initiated by State governments in the belief that larger local government units will be more efficient and effective, better suited to the needs of a modern economy, and better able to deliver services and provide sound governance (see Table 3).

**Table 3: Drivers of Structural Reform**

<table>
<thead>
<tr>
<th>Primary motivational factors</th>
<th>Secondary motivational factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economies of scale</td>
<td>Increased specialist professional expertise</td>
</tr>
<tr>
<td>Greater financial strength and stability</td>
<td>Reduced administrative costs</td>
</tr>
<tr>
<td>Increased capacity to offer a wider range and higher quality of</td>
<td>Lower costs of representation</td>
</tr>
<tr>
<td>services</td>
<td></td>
</tr>
<tr>
<td>Efficiency gains</td>
<td>Greater purchasing power</td>
</tr>
<tr>
<td>Reduce the cost of local government and stimulate growth in the</td>
<td>More efficient use of plant and equipment</td>
</tr>
<tr>
<td>private sector</td>
<td></td>
</tr>
<tr>
<td>Equitable distribution of public goods</td>
<td>Logical jurisdictions boundaries</td>
</tr>
</tbody>
</table>

Predictions of cost savings and hence reduced rates were a particularly common justification for local government amalgamations during the 1990s. In Victoria, it was claimed that savings of about 20% would be achieved (Moore 1996, p.65). However, the extent to which real savings were made and economies of scale eventuated there and elsewhere remains a matter for debate (see section 3). On the other hand, Dollery, Goode and Grant (2010, p.300) found that a potential amalgamation in rural Western Australia could deliver significant cost savings, albeit at the expense of sharply deleterious effects on local community sustainability. Similarly, reports included in submissions to the ILGRP argued that efficiencies and cost reductions
amounting to tens of millions per annum could be achieved through amalgamation of two groups of councils in metropolitan Sydney – Randwick/Waverley/Woollahra and Many/Warringah/Pittwater (SGS 2013a and 2013b).

2.1 ‘Strategic Capacity’

In recent times greater emphasis has been placed on the potential for larger units to improve the capacity and viability of local governments, rather than the seemingly elusive goal of cost savings. This new thinking¹ is evident in the widespread restructuring that took place in Queensland in early 2008, current proposals for metropolitan Perth, and the ILGRP’s various options for NSW. Dollery and Crase (2004, p.274) found that amalgamation may produce benefits in terms of local government capacity and economies of scope.

The concept of ‘strategic capacity’ was discussed in the 2011 ACELG report Consolidation in Local Government: A Fresh Look. It looked at four types of consolidation and compared their attributes across four potential outcomes: efficiency and economies of scale; strategic capacity (economies of scope); service improvement and innovation; and potential diminution of local democracy (Table 4).

ACELG concluded as follows (2011, pp.10-11):

… consolidation provides important opportunities to capture economies of scope and enhance the strategic capacity of local government. Economies of scope increase the capacity of councils to undertake new functions and deliver new or improved services that previously were not possible. Significantly, they enable councils to shift their focus towards a more strategic view of their operations … Enhanced strategic capacity appears essential to local government’s long term success as a valued partner in the system of government, and this emerged as probably the most important issue for councils to consider in examining different modes of consolidation….

This newer evidence about the value of strategic capacity, and that it may be strongly linked to larger units of local government, means that amalgamation should not be ruled out as an option simply because other forms of consolidation can yield economies of scale or scope, or because amalgamations have not been shown to generate significant cost savings or rate reductions.

¹ It should be noted, however, that as long ago as 1973 the Barnett Committee report on local government boundaries and administration in NSW argued that: ‘… local government suffers from the existence of too many small economic areas, resulting in fragmentation of authority, … under-utilisation of… human resources, and inability to provide the varied kinds of expertise required by local councils in the modern world…’ (quoted in NSW Department of Local Government 2004, p.13).
<table>
<thead>
<tr>
<th>Efficiency and Economies of Scale</th>
<th>Boundary Change</th>
<th>Shared Services</th>
<th>Regional Collaboration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amalgamation</td>
<td>Strong link</td>
<td>Potentially strong link subject to size/disposition of re-shaped councils</td>
<td>Strong link</td>
</tr>
<tr>
<td>Strategic Capacity</td>
<td>Strong link</td>
<td>As above – benefits will flow to larger ‘new’ council/s</td>
<td>Potential medium-strong link subject to organisation structure and governance</td>
</tr>
<tr>
<td>Service Improvement and Innovation</td>
<td>Strong link</td>
<td>As above</td>
<td>Strong link (but limited to those services that are effectively shared)</td>
</tr>
<tr>
<td>Potential Diminution of Local Democracy</td>
<td>Distinct risk, but can be managed</td>
<td>Some risk depending on nature of ‘new’ councils – can be managed</td>
<td>Risk where shared services are extensive and decision-making is ceded to joint authority – may be difficult to manage</td>
</tr>
</tbody>
</table>

Source: ACELG (2011, p.7)

2.2 Recent Evidence from Clarence Valley, NSW

Tiley (2013) provides a detailed analysis of the 2004 amalgamation of four Clarence Valley councils. His findings support some of the concerns raised by those opposed to amalgamations, notably the disruption caused, a tendency to increased bureaucracy, the need to improve community engagement, and the failure of expected financial savings to materialise – at least in the early years of the new council. Overall, however, Tiley points to benefits rather than drawbacks. He identifies economies of scale and scope, and concludes as follows (ibid, p.340):

…the weight of empirical evidence produced in respect to the CVC [Clarence Valley Council] case study proves that the economic benefits have outweighed the fiscal disadvantages of this amalgamation…at least from a fiscal standpoint, bigger is indeed better, but not obviously cheaper.(emphasis added)

In arriving at this conclusion, Tiley cites the following gains:

- A consolidated strategic vision and improved strategic planning
- Increased employment and service delivery capacity generally, including improved purchasing power, more equitable delivery of services, and capacity to employ more specialist staff
• More efficient use of plant and equipment
• A more strategic approach to risk management
• Reduced processing time for development applications due to improved skills
• Economic development initiatives.

Whilst Tiley does not use the term ‘strategic capacity’, his findings can be seen to lend strong support to the concept (ibid, pp.297-303):

_The larger organisation has been able to increase outputs and projects that were beyond the capacity of the former councils … CVC has developed the capacity to deliver services over a wider footprint than its LGA…there is sufficient evidence to suggest that the financial strength and stability of CVC is now greater than that of each of the former councils …_

### 2.3 Recent Evidence from Queensland

A review of council amalgamations in Queensland by Hoffman and Talbot (2013) provides further valuable insights that point to the **opportunities** offered by well-designed amalgamations, but also to the potential pitfalls, especially when the **process** is poorly constructed and executed (see section 4).

Hoffman and Talbot contrast the selective, consultative mergers that took place in Queensland during the period 1992-96 with the sweeping forced amalgamations of 2007-08. The former reduced the number of councils from 166 to 157, the latter from 157 to 73. Community responses to the 1990s amalgamations were very positive: 3 of the 9 new councils conducted de-amalgamation polls in 1996 but none were successful. By contrast, the 2007-08 amalgamations raised widespread community concerns about lack of consultation, declining quality of services and loss of local identity. When given the opportunity in 2013, 16 of the 31 new councils sought de-amalgamation polls, 4 were eventually undertaken and all 4 were successful.

Nevertheless, Hoffman and Talbot find that in general the Queensland public largely accepts the changes, and that the amalgamations have had beneficial effects in terms of financial sustainability and strategic capacity. Local government is now seen as a more effective partner of the State government with increased capacity to deal with regional and metropolitan development issues, and greater political clout. However, sustainability challenges persist, in large part due to other changes in State government policy that have impacted adversely on many councils, and the amalgamations remain a work in progress: they should be seen as an ‘opportunity not an outcome’. Hoffman and Talbot conclude that: ‘Success will and has been achieved over time (5-10 years) depending on leadership, policy choices and response to external impacts.’
3. The Case Against Amalgamations

Throughout Australia local councils have almost always resisted proposals for amalgamations and this resistance has usually been successful in maintaining the status quo for many years. Opposition to amalgamations has found particular support in the writings of Prof Brian Dollery and colleagues associated with the Centre for Local Government at the University of New England. Their arguments include the following points (see for example Dollery, Grant and Korrt 2012, pp.15-47; Dollery and Korrt 2013, pp.vi-xii):

- Proponents of amalgamation make extravagant claims regarding efficiency gains and cost savings that are subsequently not met
- There is no statistically significant relationship between council population size and per capita expenditure
- The additional financial and emotional stress (transition costs and organisational disruption) of council mergers has been seriously underestimated
- Economies of scale are often illusory
- Local government provides a wide range of services with varying opportunities for economies of scale, thus for some services amalgamations will actually produce diseconomies of scale
- Where available, economies of scale can be achieved by other means eg contracting out or shared services
- Larger local governments tend to spend more
- There tends to be less scope for public scrutiny of larger bureaucracies
- Population size and density are only weakly linked to financial sustainability
- Amalgamations result in lower economic activity and falling employment levels, especially in rural and regional areas
- Effective regional leadership is best fostered through the establishment of regional development bodies rather than through bitterly divisive battles over forced amalgamation
- Shared services offer a promising alternative to compulsory consolidation.

The research evidence appears to support a number of these arguments. Dollery, Grant and Korrt (2012, pp.101-142) review a wide range of Australian and international studies on economies of scale and scope and conclude that (ibid p.134): ‘…there is a limited amount of empirical evidence that supports the existence of significant scale economies in the provision of local government services’. Certainly, it is difficult to find any evidence in the literature of a simple ‘straight line’ relationship between council size, operational efficiency and per capita costs of service delivery.

Similarly, a number of studies have pointed to the failure of state-wide amalgamation programs to secure claimed cost savings. For example, McKinlay Douglas (2006, p.23) reports that amalgamations in South Australia in the mid-1990s were projected to save $150m per annum in local government expenditures, but in practice the changes (albeit greatly modified from the original proposals) saved only $19m per annum.
3.1 Disruption and Transition Costs

Tiley’s (2013) study of the Clarence Valley amalgamation supports the view that, at least in the short term, the transition can be both costly and disruptive. This finding is corroborated by other reviews of recent Australian experience (Jeff Tate Consulting 2013, Hoffman and Talbot 2013), but with the proviso that a better planned and more consultative amalgamation process can produce much improved results.

The costs incurred by Queensland councils as a consequence of the 2007-08 amalgamations were reviewed in 2009 by the Queensland Treasury Corporation (QTC). The review was based on figures supplied by the councils themselves. Key findings were as follows:

- Costs were indeed substantial: the 24 councils involved claimed a total cost of $184.71m, although QTC’s assessment reduced this figure to $47.21m, largely by excluding what it regarded as discretionary decisions to adopt the wage and salary levels of the previously highest paying council.
- Additional costs would be progressively offset by savings – but savings were often ploughed back into improved services rather than made explicit.
- All the councils had the financial capacity to meet the costs of amalgamation, which represented only 0.3-1.5% of operating revenues.

QTC’s findings appear to lend some support to both sides of the amalgamation debate.

4. The Amalgamations Process

4.1 Forced vs Voluntary Amalgamations

An important question is whether voluntary amalgamations may produce better outcomes than those that are forced by state or territory governments. This question appears closely linked to the issue of the broader process by which potential amalgamations are considered and determined (see section 4.2).

ACELG (2011, pp.49-50) provided a case study of the 2007 voluntary amalgamation of Geraldton City and Greenough Shire in Western Australia. It found that both the process followed and the results achieved were for the most part very satisfactory. ACELG concluded that:

…there is little doubt that the chief gain of the amalgamation has been increased ‘strategic capacity’: a higher profile, more capable council better placed to work for its community in terms of addressing new agendas and ‘big picture’ issues. In particular, the new council believes it is taken far more seriously as a partner by state and federal governments. This perceived success has been a key factor in a new proposal for a merger with Mullewa Shire, which is to be based on a decentralised ‘place management’ model. Both the approach taken in creating Geraldton-Greenough and this model for adding a much smaller rural shire appear replicable in similar situations elsewhere.
In another Western Australian case study, Dollery, Goode and Grant (2010) outlined a model of ‘sustainable amalgamation’ and contrasted it with unconditional (forced) amalgamation, using a stylised example derived from four country shires contemplating a merger. The authors’ aim was to develop ‘a more nuanced view of amalgamation’, based on an approach that ‘seeks to balance the “four pillars of sustainability”: financial sustainability; economic sustainability; community sustainability; and environmental sustainability’ (ibid, pp.301-302). They suggested (ibid, pp.300-301) that this balance could be achieved by (among other things) foregoing some of the financial savings that could potentially be generated by unconditional amalgamation, adopting a place management model with ward councillors, maintaining a substantial shire presence in each of the towns, minimising any job losses, and stipulating that the reserve funds of the pre-existing councils should be expended within the district in which they were raised.

Whilst these two Western Australian case studies highlight the potential benefits of voluntary, negotiated amalgamations, the fact remains that there are very few examples of such mergers actually taking place – at least without the threat of forced amalgamations in the background. In the case of Geraldton-Greenough, the former shire council was very much aware of the local government Minister’s essentially unfettered power to effect a boundary change that could have transferred much of its area to the city. Dollery, Crase and O’Keefe (2007, p277) argued that the threat of forced structural change ‘acts as an energising catalyst to overcome council inertia...’ In other words, a powerful external driver or incentive (such as avoiding an unwanted amalgamation) may be essential to overcome local government’s inherent reluctance to make substantial changes to the way it is organised and operates.

4.2 Improving the Process

As indicated above, a key factor in the amalgamations debate that requires more attention is the process to be followed. Much of the criticism of ‘forced’ amalgamations appears to relate to the way they have been handled in the past, especially the lack of adequate consultation and business planning (see Jeff Tate Consulting 2013, Hoffman and Talbot 2013).

The current legal process in NSW provides the Minister for local government with essentially unfettered decision-making power. Its principal elements are as follows:

- A proposal for an amalgamation or a boundary change may be initiated by the Minister or it may be made to the Minister by a council or by a minimum number of electors
- On making or receiving a proposal, the Minister must refer it to the Boundaries Commission or the Director General (emphasis added) for examination and report
- When a proposal is referred to the Commission or director general for examination and report, they may hold a public inquiry if the Minister so approves, and must hold an inquiry if the minister so directs.
- An inquiry must be held if the proposal is one for the amalgamation of two or more local government areas. In addition, the Commission or the Director General must seek the views of electors in each of the affected areas by means of advertised public meetings,
invitations for public submissions, postal surveys or opinion polls, in which reply-paid questionnaires are distributed to all electors, or a ‘formal poll’ (local referendum).

- If a proposal has been reviewed by the Director General, his or her report must be forwarded to the Boundaries Commission for comment and advice to the minister (emphasis added)
- The Minister may recommend to the governor that the proposal be implemented with such modifications as arise out of the Boundaries Commission’s report, and with such other modifications as the minister determines (emphasis added), but may not do so if of the opinion that the modifications constitute a ‘new proposal’.

The Boundaries Commission is established under the Act, appointed by the Governor on the advice of the Minister, and has four members. Two commissioners are appointed from a panel nominated by LGNSW. When established, it was evidently intended to be an exert body providing independent and impartial advice to the Minister. However, amendments to the Act made in 1999 enabled the Minister to effectively bypass the Commission by referring matters instead to the Director General of the department (now the chief executive of the Office of Local Government).

When considering any proposal to change the boundaries of local government areas the commission or the Director General must have regard to a wide range of factors prescribed in the Act. It is worth noting that although economic efficiency has been most commonly invoked as a reason for amalgamating councils, the factors to be taken into account under the Act dwell more on matters of community of interest, local values, impacts of change and democratic representation. However, the Act does not indicate the weighting to be given to different factors.

4.2.1 Western Australia
In Western Australia, current moves to restructure local government in the Perth metropolitan region and roughly halve the number of councils have been handled by a three-step process:

- A review by an independent panel
- Formulation of proposals by the Minister
- Review and determination of those proposals, and alternatives submitted by councils, under the provisions of the Local Government Act by the independent Local Government Advisory Board.

The Minister can only accept or reject the Board’s recommendations – not make amendments. Significantly, nearly all the Board’s recommendations for Perth were based on the alternative proposals submitted by councils, and there now seems to be broad acceptance in local government that a reasonable process has been followed.

4.2.2 Changes Proposed by ILGRP
The ILGRP researched options for a modified process in NSW. Its analysis was based on:
• The findings of a report by Jeff Tate Consulting (2013) that identified significant shortcomings in the processes and outcomes of the 2004 forced amalgamations in non-metropolitan NSW (which were carried out using the 1999 amendments to the Act, largely bypassing the Boundaries Commission)
• A review of systems and recent processes elsewhere in Australia and in New Zealand, including Western Australia (see Attachment A).

Based on this research, the ILGRP proposed that the current NSW policy of ‘no forced amalgamations’ be replaced with a new policy and process based on the following principles:

• That the State government’s currently unfettered right to impose amalgamations and major boundary changes more or less at will should be limited
• That any amalgamation or major boundary change should be preceded by thorough independent analysis of the issues to be addressed and all the options available, published in an information report
• That there should be full community consultation on the issues and options
• That the process should be handled by an expert, independent body
• That the Minister should not be able to over-rule the findings and recommendation of that body without good cause (eg serious errors, lack of due process or some over-riding public interest considerations).

The Panel recommended a reconstituted, better resourced and more independent Boundaries Commission to administer this revised process, more along the lines of the NZ Local Government Commission.

5. Regional Collaboration and Shared Services
The case against amalgamations rests heavily on the proposition that regional collaboration and shared services can achieve much the same benefits. Dollery, Grant and Kortt (2012, p.45) make this point as follows:

*Given that compulsory council consolidation seldom achieves its intended aims, and given that scale and scope economies do exist in some specific local government services… the best way to achieve larger scale economies in these selected functional areas is for councils to enter into collaborative shared services agreements…*

A significant feature of recent moves for structural reform in NSW has been the State government’s strong support for regional cooperation, resource sharing and shared service delivery amongst councils (NSW Department of Local Government 2007). As indicated in Table 4, advocates of regional cooperation argue that a well-established regional organisation undertaking a range of shared services, joint planning and special projects can achieve significant cost savings and service improvements, develop additional ‘strategic capacity’, and at the same time retain the benefits of smaller councils – in particular a high level of local political representation and responsiveness to community needs.
5.1 Research Findings

Dollery, Grant and Kortt (2012) have provided a thorough review of various models of regional collaboration and shared services in Australian local government, including several case studies. They argue (ibid, pp.248-249) that the ‘central policy implication’ of their analysis is that: ‘ …structural change aimed at enhancing that efficiency and effectiveness of local government should focus on fostering shared services arrangements for specific kinds of local government services and functions rather than on the blunt instrument of forced amalgamation.’

However, the closing paragraph of their book also suggests that there are significant limits to what regional collaboration and shared services can achieve:

While in this book we … have concluded that shared service arrangements have a vital role to play in Australian local government, it is important not to ‘oversell’ this message by way of exaggerated claims for what shared services models can realistically achieve … like all instruments of public policy, shared services models have their limitations which must be recognised. (ibid, p.251)

Also, it is not clear whether their conclusions might be different if shared services arrangements were being contrasted with voluntary mergers or the ‘sustainable amalgamation’ model postulated by Dollery, Goode and Grant (2010), rather than ‘the blunt instrument of forced amalgamation’.

Moreover, Dollery, Grant and Crase (2011) have pointed out that the success of regional arrangements depends on a complex range of factors that go well beyond relatively straightforward issues of service delivery:

While… reports advocated shared service models almost entirely on the basis of their economic and technological characteristics, some academic commentators have been more cautious, arguing that intangible political and social elements are equally important… Dollery and Akimov (2009) argued that while shared service arrangements can improve the efficiency of local service provision, the degree of success varied considerably from case to case, and did not seem to depend on the characteristics of the services in question… Moreover, [they] observed that there are often significant barriers to the implementation of shared service arrangements, which are difficult to overcome, including the loss of ‘local identity’, the complexity of the processes involved, conflicting objectives between participating councils and uncertainty surrounding potential benefits. (ibid, pp.161-162)

According to Dollery, Grant and Kortt (2012, pp.197-207) the history and perceived failure of the New England Strategic Alliance of Councils (NESAC) highlights what can go wrong with regional arrangements. They argue that NESAC was established principally to stave off amalgamation; based on a charter that was non-binding the operational and governance arrangements proved inadequate and there was a lack of trust between the parties that became critical once the amalgamation threat was seen to have passed.
Recognising these potential problems, Dollery and Johnson (2007) strongly endorsed a 'Joint Board' model of local governance canvassed by the then NSW Shires Association. They saw this as:

… a compromise measure between the ostensibly unsustainable status quo of numerous small existing councils in NSW and the disappearance of these local authorities into a series of large amalgamated municipalities as envisaged by the NSW Minister for Local Government. (op cit, p.200)

The Joint Board model would have taken a significant step beyond other forms of regional collaboration. It involved:

… the retention of autonomous existing councils and their current spatial boundaries, but with a shared administration and operations overseen by a joint board of elected councillors from each of the member municipalities. In essence, constituent councils would each retain their current political independence, thus preserving extant local democracy, while simultaneously merging their administrative staff and resources into a single enlarged bureau, in an attempt to reap any scale economies, scope economies, or other benefits that may derive from a larger aggregated administration. (ibid)

This approach would seem to fall little short of amalgamation. Key differences are the retention of elected councils for existing local government areas, and (implicit) reliance on voluntary action.

The findings of Dollery and his colleagues were echoed in a report by Gooding Davies commissioned by the ILGRP. The report explored options and models for enhanced regional collaboration through Regional Organisations of Councils (ROCs). It found that:

… the delivery of shared services by ROCs remains patchy and uneven. This reflects the disparate size, number and wealth of participating councils, as well as variations in factors such as the level of commitment and institutional leadership involved. These factors apply to all forms of shared services activity. (Gooding Davies 2012, p.1)

Gooding Davies (2012, p.2) went on to canvass two models to strengthen regional collaboration amongst councils based on ROCs:

The first of these, the Incremental Model, assumes that the current structure of local government in NSW in terms of the number, size and function of councils is not greatly changed by reform but that there will be a stronger commitment to council collaboration. This approach seeks to build on current networks by establishing a range of options for shared services delivery, including regional subsidiaries and commercial council-controlled entities.

The second option, the Council of Mayors Model, assumes more extensive changes to the structure both of councils and ROCs. In this option ROCs would be replaced by Councils of Mayors based on a streamlined County Council structure and there would be stronger requirements on councils to engage in regional processes. Similar to the Incremental
Model a range of legal entities would be implemented to develop shared services, but unlike the Incremental Model, Councils of Mayors would be required to delegate activities to these bodies.

Neither option is intended to create outcomes that challenge the primacy of councils in local decision-making or to create an additional layer of government…participating councils would ultimately decide the nature and extent of the activities in which they will collaborate, though there will be greater accountability for their decisions in this regard.

The Council of Mayors model has evident similarities to Dollery and Johnson’s ‘Joint Board’. It is also similar to the ‘Joint Organisations’ ultimately recommended by the ILGRP.

6. Community Boards
The ILGRP argued that (2013a, p.92):

…a future system of local government in NSW needs to balance two seemingly opposed agendas: the need for increased scale and capacity to meet a number of key challenges facing councils and communities, and the importance of ‘keeping the local’ in local government so that community identity and local democracy are protected and where possible enhanced.

To help achieve the required balance, it proposed that provision should be made in the Local Government Act for an additional form of ‘sub-council’ local governance – Community Boards.

The Panel’s thinking was informed by a research paper prepared by McKinlay Douglas Pty Ltd that looked at examples of recent experience in Australia, New Zealand and the UK. These included various forms of council-community committees in Australia; Community Boards and Local Boards in New Zealand; and ‘local councils’ (ie Parish and Town Councils) in England.

McKinlay Douglas (2013, p.41) found a need for:

…not just good engagement mechanisms operated by a council, but some form of infrastructure at the community level capable of delivering an on-going involvement and involving individual communities in decisions about their preferred futures, including local place shaping.

They went on to recommend (ibid, p.59):

Legislation should include an obligation on councils to promote community (neighbourhood) governance, with the right of ‘communities’ to trigger the process of setting up community governance in their area. Councils should be required to develop a policy on community governance spelling out matters such as the nature of the support which the council would provide…

New Zealand’s system of Community Boards has been in operation since the sweeping amalgamations of councils across the country took place in 1989. Many of them were, in
effect, ‘replacements’ for previous councils that had been amalgamated. Community Boards are elected within defined districts or neighbourhood parts of a local government area – they may together cover the whole LGA or just parts of it. Their minimum role is to:

- Represent, and act as an advocate for, the interests of the community
- Consider and report on all matters referred to it by the territorial authority (council), or any matter of interest or concern to the community board
- Maintain an overview of services provided by the territorial authority within the community
- Prepare an annual submission to the territorial authority for expenditure within the community
- Communicate with community organisations and special interest groups within the community.

A wide range of other functions may be delegated to Community Boards using a power similar to s355 of the NSW Local Government Act.

In looking at the New Zealand experience an important distinction has to be drawn between the system of Community Boards operating across much of the country, and the Local Boards established as part of the amalgamated ‘super city’ of Auckland. Local Boards are fully elected, whereas Community Boards can include appointees of the parent council, although the majority of members must be locally elected. Also, Auckland’s Local Boards have more extensive statutory powers and responsibilities, and with a few exceptions serve much larger populations.

Dollery (2013) criticised the McKinlay Douglas report and the ILGRP’s proposals on a number of grounds, including:

- Failure to undertake an adequate review of the ‘scholarly literature’
- Over-reliance on inappropriate New Zealand and English models
- Community Boards in New Zealand are in decline
- The likely high cost of establishing an ‘additional tier of government’
- s355 of the NSW Local Government Act already provides an adequate framework, as shown by councils such Lake Macquarie.

It should be noted, however, that:

- McKinlay Douglas made it clear that their report should be read in conjunction with previous research undertaken by the Australian Centre of Excellence for Local Government, Evolution in Community Governance: Building on What Works, which included a substantial literature review and extensive analysis of Australian material.
- Claims concerning the decline of New Zealand Community Boards rest on selective quotes from a 2008 report by Mary Richardson, Roles and Functions of Community Boards (2008a) prepared for the Community Boards’ Executive Committee of Local Government New Zealand (the national association). That assessment pre-dates more recent successes with community boards in local government areas such as Thames-Coromandel.
and Southland, reported by McKinlay Douglas. Also, two other reports released in 2008 offer somewhat different perspectives (Mary Richardson 2008b, Mike Richardson 2008).

- Dollery’s (2013, pp.119-121) concerns about the cost of Community Boards are based on Auckland’s Local Boards, which as noted above are much larger and have a broader range of functions.
- s355 of the NSW Act simply enables councils to delegate some of their powers and responsibilities to any form of committee – there is no provision in the Act requiring councils to consider the need for community governance mechanisms, which is what McKinlay Douglas advocated.

### 7. Conclusions and Questions Arising

It seems clear that any ongoing debate on structural reform in NSW needs to be conducted with a more widespread understanding the complex issues involved, and of the evidence for and against different arguments. The research findings reveal many shades of grey in the cases for and against amalgamations: there are no ‘black and white’ answers.

Fundamentally, more thought needs to be given to whether the debate has focused on the right questions. Is it realistic simply to compared ‘forced’ amalgamations with voluntary regional cooperation, and to suggest that the two are alternative responses to the same challenges? Perhaps a more helpful and meaningful distinction would be between ‘arbitrary’ and ‘negotiated’ restructuring, which might involve either boundary changes or more far-reaching regional collaboration? And it seems clear that the processes by which structural changes are considered, determined and planned need to be substantially improved.

A number of key questions emerge from the material presented in this paper.

1. What is to be local government’s future role in the system of government in NSW, and what sort of working relationships should it have with state and (to a lesser extent) federal governments?
2. To operate effectively into the future, does local government require the increased scale and capacity (‘strategic capacity’) that may be achieved through council mergers, regional collaboration/shared services, or a mix of the two?
3. If so, is it time to set aside the ‘old’ debate about whether or not amalgamations achieve efficiencies and cost savings, and focus instead on enhanced capacity and ‘clout’?
4. Did ACELG produce a fair assessment of the differing attributes of different forms of local government consolidation (Table 4)?
5. Do the ‘standard’ criticisms of amalgamations hold up in light of all the available evidence, including the mixed findings of Dollery and colleagues, Tiley’s examination of the Clarence Valley merger, and Hoffman and Talbot’s review of the 2007-08 Queensland amalgamations?
6. Would a new policy and process for determining possible boundary changes and amalgamations, based on careful examination of a range of options, extensive consultation and meaningful negotiation, reduce opposition to ‘forced’ amalgamations and enable more productive consideration of the best way forward?
7. Realistically, how much can be achieved through voluntary regional cooperation and has the potential of shared services been ‘oversold’?

8. Is there a need instead to move to more robust, mandatory models such as the ‘Joint Board’ concept advanced by Dollery and Johnson, the Gooding Davies ‘Council of Mayors’ model, and the ‘fully fledged’ version of Joint Organisations proposed by the ILGRP?

9. Is there a need to strengthen ‘sub-council’ community governance as proposed by McKinlay Douglas, including by creating a new legislative option for Community Boards

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Attachment A: Boundary Review Processes in Western Australia and New Zealand

1. Western Australia

A formal boundaries review process is currently under way in the Perth metropolitan region, following an independent review that recommended the number of councils be more than halved, and a subsequent period of informal consultations, including the opportunity for councils to advance alternative proposals.

Under the Local Government Act, the process is handled by the Local Government Advisory Board which consists of five members: 2 appointed by the minister (the chair plus a departmental officer); 2 from 9 nominees of the local government association; and one from 6 nominees of Local Government Managers Australia.

Principal steps in the review process are:

- A proposal may be made to the Advisory Board by the Minister; or an affected local government; or by 250 or 10% of the number of affected electors.
- The Board is to consider any proposal, but may recommend that the Minister reject a proposal if, in the Board’s opinion, it is substantially similar to one considered in the previous 2 years; or the majority of the electors who made the proposal no longer support it; or the proposal is frivolous or otherwise not in the interests of good government.
- If, in the Board’s opinion, the proposal is one of a minor nature and does not warrant calling for public submissions, it may recommend that it be rejected; or that an order be made for it to proceed forthwith.
- In other cases a formal inquiry is required, of which due notice must be given to the Minister and those affected.
- After an inquiry, the Board is to recommend that the Minister reject the proposal; or that an order be made in accordance with the proposal; or that some other order be made in accordance with the Act.
- The Board is not to recommend to the Minister the making of an order that is significantly different from the proposal into which it formally inquired unless it has given those affected the opportunity to make further submissions.
- The Minister may require that the Board’s recommendation be put to a poll of the electors of districts directly affected by the recommendation.
- Where the Board recommends an order for an amalgamation a poll must be held if requested within one month after notice is given by 10% or 250 of the electors of one of the affected districts.
- If a poll is to be held the Board must determine the question or questions to be answered by electors; and make available a summary of the case for each way of answering the question or questions.
- The Minister may accept or reject (but not amend) a recommendation of the Board.
If a poll held and at least 50% of the electors of one of the districts vote; and of those who vote, a majority vote against the recommendation, the Minister is to reject the recommendation.

2. New Zealand

A new process for ‘reorganisation’ of local government, centred on the independent Local Government Commission (which undertakes a range of statutory functions) was introduced by means of amendments to the Local Government Act in 2012. A number of proposals advanced by councils and/or other stakeholders are currently under consideration. The steps involved are as follows:

- Anyone may lodge an application for boundary and other changes to local government arrangements with the Commission
- The Commission decides whether the application has the required information to allow it to be assessed
- As part of the process, the Commission determines whether there is community support for the application in all the affected areas (but not necessarily majority support)
- If the Commission is satisfied this is the case, the application is publicly notified and alternative applications are called for
- The Commission identifies the reasonably practicable options for local government in the affected area which must include current local government arrangements
- If the Commission decides there should be changes to current arrangements, in order to promote good local government in the area, it identifies its preferred option and a draft proposal is developed and publicly notified
- Submissions on the draft proposal are made to the Commission
- The Commission considers the submissions and may hold hearings on submissions
- The Commission decides whether a final proposal is to be issued
- If a final proposal is issued, a poll on the proposal may be requested by 10% of the electors in one of the affected districts
- If a proposal is supported by a poll or there is no poll, a reorganisation scheme is prepared and implemented by Order in Council.

For a poll to succeed, there must be majority support across the whole of the affected area. It will be evident that the entire process is handled at arms-length from government, and that the legislation enables a range of options to be considered simultaneously the Commission before it determines its preferred option.
3. Advantages and Disadvantages of the Wellington ‘Super City’ Proposal

The New Zealand Local Government Commission recently released a draft proposal to create a ‘super city’ in the Wellington region by amalgamating 8 local (‘territorial’) councils and the Wellington Regional Council into a single Greater Wellington City Council. As in Auckland, the new council would operate in part through a number of elected Local Boards that would oversee planning and service provision at a district/community level.

The NZ Local Government Act 2002 requires a draft proposal to include a full and detailed explanation of the advantages and disadvantages and how it will promote “good local government”. Below is a summary of the key advantages and disadvantages with the final section summarising the conclusions reached about how the proposal will promote “good local government”.

Advantages

The key advantages of the proposal are that it:

(a) recognises that the people of the whole Wellington Region share a strong community of interest as well as recognising the distinct more local communities of interest within the region

(b) offers the greatest scope to address the significant future issues facing the communities of Wellington relating to:
   - the provision and maintenance of infrastructure networks
   - the consequences of demographic trends
   - the desire for more effective economic development
   - the need to manage the risks of natural hazards and respond effectively to hazard events
   - the ongoing pressures for more effective and sophisticated and environmental management.

   These issues are predominantly regional in scale and impact and will require regional scale responses.

(c) offers the greatest scope to ensure that the new council can understand and engage with its communities, both at a local level and at a regional level, by providing for representation and decision-making at both regional and local levels

(d) offers the greatest scope to align decision-making with the communities that are directly interested in or affected by particular decisions because it is able to maintain two realms of decision-making, one regional and one local

(e) reflects the principle of subsidiarity and a new balance between local decision-making and action and regional decision-making and action

(f) supports the potential for local leadership and local emergency management response that is important, particularly for the Wairarapa

(g) offers the greatest potential for Māori to participate in decision-making because it best aligns with iwi and hapū levels of decision-making

(h) is the option that relies the least on collaboration between councils in order to be successful
(i) provides the greatest opportunity for Wellington to enhance its representation, advocacy and share of voice at it seeks to compete nationally and internationally, while also providing an effective local voice in decision-making.

(j) provides the greatest scope to deliver the focus necessary to lift Wellington’s global and national competitiveness.

(k) affords the greatest scope to develop the form of leadership that will be required to drive Wellington’s future success.

(l) offers the greatest scope for delivering better decisions.

(m) delivers economies of scale, scope and management with respect to core local government services (network infrastructure, public transport, avoiding or mitigating hazards, and community facilities and services).

(n) provides the greatest scope to secure benefits from improved regulatory activity through standardisation, scale and managerial economies.

(o) provides the greatest scope to deliver benefits from spatial planning, effectively integrating planning and aligning planning responsibility with financial responsibility across a range of key local government obligations.

(p) affords significant scope to simplify planning, while at the same time ensuring that there is an effective local voice in decision-making.

(q) delivers scope to improve economic performance (although there is not a major difference between several options with this respect).

Disadvantages

The key disadvantages of the proposal are that it:

(a) would be expensive to implement and would cause disruption during the change process.

(b) reduces the number of elected representatives and as a result provides fewer opportunities for community service by holding elected office.

(c) would be disruptive to council staff during the transition and establishment process and as a result would carry a considerable risk that key staff and intellectual property would be lost.

(d) carries the risk that a loss of institutional memory would result in both a loss of understanding of issues and require unnecessary expenditure to recapture and relearn key knowledge.

(e) carries other transition risks, including the risk that through the transition process, the interim chief executive and the in-coming council are unable to realise all the potential savings from the reorganisation.

(f) carries risks of service interruption and consequential economic loss or disadvantage during the transition process.

(g) may result in the loss of local government employment opportunities within particular communities.

(h) may result in the centralisation of council supply relationships, reducing opportunities for local businesses in parts of the region.
(i) may give rise to concerns about accessibility to decision-makers and remoteness on the part of the governing body

(j) will result in changes in the incidence of rates and this will disadvantage some, and benefit others depending upon decision made by the members of the new council

(k) may result in lost opportunities during the transition period due to a reduced ability to make timely decisions.

**Promoting “good local government”**

There is a complex set of factors that contribute to the consideration of the extent to which different local government arrangements might best promote “good local government”. These are assessed under the following key headings:

- Communities and issues
- Democratic decision-making
- Improved provision of core services
- Achieving the objectives of other legislation
- Improved economic performance
- Overall savings and cost of transition.

Part 6 [of the Commission’s report] sets out the detailed consideration of these options against the Commission’s evaluation framework and the results of that process. This records that the option set out in the proposal was the option:

- most likely to be able to meet the current and future needs of communities
- likely to be the most effective in providing for effective democratic local decision making
- most likely to result in the effective and efficient delivery of core services
- likely to be the most effective in achieving the objectives of other legislation and
- likely to be the most effective in delivering improved economic performance.

This was the option assessed as likely to deliver the largest cost savings, and the option that rated best across the relevant criteria as a whole.
PART TWO: EXTRACTS FROM ‘CONSOLIDATION IN LOCAL GOVERNMENT – A FRESH LOOK’

In 2010-11, the Australian Centre of Excellence for Local Government conducted a major research project that reviewed previous research on alternative approaches to ‘consolidation’ in local government (chiefly amalgamations and shared services), and included 17 case studies to explore recent practical experience.

1. Introduction and Overview

This project was undertaken as a collaborative research venture between the Australian Centre of Excellence for Local Government (ACELG), Local Government Association of South Australia (LGASA), and Local Government New Zealand (LGNZ). Each wanted to take a fresh look at the issue of consolidation in local government, free from any current political or other pressures to recommend any particular approach towards structural reform.

The term ‘consolidation’ was chosen in an attempt to embrace a wide range of options that may deliver economies of scale or scope, or other benefits in terms of more effective local government. Options investigated included a range of approaches to shared services delivery, various models of regional collaboration, boundary adjustment, and voluntary, forced and failed amalgamations of councils.

1.1 Background

A recurrent theme in local government reform, in Australia, New Zealand and overseas, has been the issue of municipal amalgamation and the various benefits which are assumed to flow from it. There have been many commissions and reports aimed at reforming local government in Australia and almost all have had as a major focus the question of optimum size and efficiency. This mirrors experiences in a number of overseas jurisdictions.

This project sought … to provide a fresh view of issues relating to municipal consolidation by:

- Reviewing the available local and international literature
- Conducting a series of ‘on ground’ case studies in areas which have recent experience with consolidation, in both Australia and New Zealand
- Interviewing key opinion-makers who have recent experience in consolidation.

1.2 Dimensions of Consolidation

As a starting point, we identified four broad strands in the debate about reform, each underpinned by particular views about the appropriate role of local government.

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2 In a few cases these had been researched previously by others, but fresh perspectives were sought
**Efficiency**

Many local government inquiries have asserted that consolidation (amalgamations, shared services and so on) will inevitably result in greater efficiencies and cost savings for local governments, creating the potential for them to do more with less. This was the prevailing theme in the 1990s amalgamations in Tasmania, Victoria and South Australia, in particular, but also influential in other jurisdictions. These apparent certainties have been both endorsed and challenged by academics in Australia and overseas. In this project we have re-examined the available evidence both from Australia and overseas from the perspective that we do not have a preferred outcome, and in recognition that the different jurisdictions have significantly differing operating environments.

**Strategic capacity**

In recent years the need or desire to strengthen local government’s strategic capacity to play an expanded and more prominent role has emerged as a key variable in programs of local government reform. This developing view of the role of councils requires that they are not just financially robust but also have the skills and resources to be high capacity organisations with the requisite knowledge, creativity and innovation to enable them to manage complex change. This rationale for consolidation may be particularly relevant in metropolitan areas and rapidly developing regions, especially in view of recent federal initiatives for metropolitan planning and regional development. It is also linked to new concepts of local government’s role such as ‘place-shaping’ and – in the UK – ‘Total Place’. This dimension of change requires an assessment of changes to local governments’ strategic capacities, which have been developed as a result of consolidation activities.

**Service delivery**

Many assertions have been made that consolidation would generate improvements in service delivery, although there are few studies which actually examine the post-consolidation experience of those who receive local government services. This dimension of consolidation was examined in order to evaluate the contribution of local government restructuring in enhancing, or diminishing, service delivery. We can hypothesise that responses might vary according to particular services, given that the threshold population size for particular services is different: for example, the optimum threshold size for refuse collection may well be smaller than for water supply. The research, then, sought evidence relating to the question of whether or not there have been service enhancements (or deterioration) as a result of consolidation.

**Local democracy**

A number of researchers have focused attention on impacts on the broader roles of local government, beyond service provision, as a consequence of consolidation. They have drawn attention to the quality of local representation and the increasing difficulties of undertaking this effectively in larger councils. In contemporary Australia and New Zealand, a range of approaches has been adopted to enhance local democracy through mechanisms such as

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community councils or boards, precinct or ward committees, improved community engagement and the like, and many local governments also have available to them technologies aimed at enhancing the representative role of councils and of individual elected members.

This research has considered whether and how consolidation affects local government’s capacity to undertake its representative and democratic roles within the community. This dimension also includes consideration of the effectiveness of local government in representing community views to regional bodies and to state and federal governments – its role as advocate for its community.

1.3 Research method

It was important to the researchers that this project examined data from a number of sources so that different data sets could be compared with each other. This form of ‘triangulation’ reduces the possibility of bias, and if each data set supported the findings of the others, then we can advance our findings with more authority. As noted above, we chose to use three data sets:

- Desk analysis of the literature
- A series of case studies
- Eight interviews with senior practitioners from the local government sector.

Cases were selected from a matrix, as in Table 1.1 below, which tries to ensure that different approaches to consolidation are captured, as well as providing data about the experience in different types or locations of councils.

Table 1.1: Case Studies Matrix

<table>
<thead>
<tr>
<th></th>
<th>Amalgamation/ Boundary Change</th>
<th>Shared Services</th>
<th>Regional Collaboration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metropolitan</td>
<td>Central Highlands and Sunshine Coast (Qld) Onkaparinga (SA)</td>
<td>Eastern Health Authority (SA)</td>
<td></td>
</tr>
<tr>
<td>Regional Centre</td>
<td>Geraldton-Greenough (WA) Mount Gambier-Grant (SA)</td>
<td>Waikato and Bay of Plenty (NZ)</td>
<td>Hunter Regional Organisation of Councils (NSW)</td>
</tr>
<tr>
<td>Rural</td>
<td>Break O’Day and Glamorgan-Spring Bay (Tas) Delatite (Vic – de-amalgamation)</td>
<td>New England Strategic Alliance of Councils (NSW) Shared CEO (WA) North-East Councils (SA)</td>
<td>Riverina Regional Organisation of Councils (NSW)</td>
</tr>
<tr>
<td>Whole of State</td>
<td>Water and Sewerage (Tas) Local Government Association of SA</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
1.4 ‘Headline’ conclusions

The table below attempts a summary in terms of the attributes of different forms of consolidation. It should be read in conjunction with the points that follow.

Table 1.2: Summary Attributes of Different Forms of Consolidation

<table>
<thead>
<tr>
<th>Efficiency and Economies of Scale</th>
<th>Amalgamation</th>
<th>Boundary Change</th>
<th>Shared Services</th>
<th>Regional Collaboration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong link</td>
<td>Potentially strong link subject to size/disposition of re-shaped councils</td>
<td>Strong link</td>
<td>Weak link</td>
<td></td>
</tr>
<tr>
<td>Strategic Capacity</td>
<td>Strong link</td>
<td>As above – benefits will flow to larger ‘new’ council/s</td>
<td>Potential medium-strong link subject to organisation structure and governance</td>
<td>Weak link</td>
</tr>
<tr>
<td>Service Improvement and Innovation</td>
<td>Strong link</td>
<td>As above</td>
<td>Strong link (but limited to those services that are effectively shared)</td>
<td>Potential link subject to nature and scope of collaboration</td>
</tr>
<tr>
<td>Potential Diminution of Local Democracy</td>
<td>Distinct risk, but can be managed</td>
<td>Some risk depending on nature of ‘new’ councils – can be managed</td>
<td>Risk where shared services are extensive and decision-making is ceded to joint authority – may be difficult to manage</td>
<td>Little or no risk</td>
</tr>
</tbody>
</table>

- **Ongoing change in local government is unavoidable**, and consolidation in its various forms will be part of that process.
- As a general rule **benefits of some sort do accrue** when councils adopt mechanisms to collaborate or consolidate with other local authorities.
- Potential **benefits are reduced or lost when the process is flawed** due to inadequate planning and consultation or a failure to consider all the options available and precisely what each could achieve.
- There is **little evidence** that amalgamation will automatically yield substantial **economies of scale**.
• **Efficiency gains** can be achieved through various forms of consolidation, but are unlikely to produce reductions in local rates and charges due to other expenditure needs.

• What is more obvious is that various forms of consolidation have the **capacity to yield economies of scope**.

• More importantly, consolidation offers opportunities to achieve **economies of scope** or enhanced **strategic capacity**. This effect may well be strongest in the case of amalgamation into relatively large units.

• New services and/or **innovative approaches to service delivery** have been promoted through various forms of consolidation.

• In the case of **more remote councils** with small populations spread over large areas, consolidation (whether amalgamation or shared services) may not be feasible.

• **Concerns for any diminution of local democracy were muted**, suggesting that councils may be managing this issue well, and/or that it is often not a major, ongoing factor in the eyes of the community.

• Underpinning any approach to consolidation is the **importance of political leadership, good governance and effective management arrangements**, both in managing change and establishing a sound basis for ongoing operations.

• There is a **continuing role for state (and national) governments and local government associations** in facilitating and supporting consolidation initiatives.

• **Too much attention is focused on the institutional arrangements** of the local government system in each jurisdiction rather than on the fundamental issue of the societal functions performed by local government and its changing role.

**Summary of findings**

This section sets out the principal research findings from the large amount of detailed material provided in Volumes 1 and 2 of the report.

**The need for ongoing reform**

1. Local government is under continuing pressure to evolve and reform in order to address challenges such as financial sustainability, changing community needs and expectations, metropolitan growth, shifting relationships with central governments, and so on. There was a strong view from the practitioner interviews in particular that further substantial change is a given: the issue is what form this should take.

2. Our research indicates that consolidation – whether amalgamation, shared services or other forms of closer collaboration between councils – is an essential (but not exclusive) strategy to address the challenges facing local government and secure its place in the evolving Australian system of government. The evidence shows that significant benefits can be derived from all of the approaches to consolidation examined in this study. Equally there may be disbenefits – disruption, transition costs, weakening of local democracy, loss of local identity and employment – that need to be weighed in any strategic approach to reform.
3. The fundamental point is that all options need to be addressed and solutions matched to a realistic, evidence-based assessment of the particular circumstances and issues involved – neither proponents nor opponents should adopt inflexible or ideological positions at the outset. One size does not fit all, form must follow function, and objectives must be clear. It follows that consolidation is best approached in the context of broader reform packages so that complementary improvements, such as enhanced political governance, better financial and asset management, or organisation development, are also on the table.

4. The available evidence points to a particular need for ongoing consolidation of local government activities in metropolitan areas. Growing concerns about Australia’s capacity to manage rapid metropolitan growth and change, and the federal government’s move to develop a national urban policy and promote better metropolitan planning, call for a demonstration of local government’s capacity to make a strong contribution on behalf of local communities and in the broader regional and national interest. There is a widespread view that this calls for substantially larger local government units as well as collaborative planning and resource sharing.

1.5 The process of consolidation

5. It is not always easy to determine which form of consolidation (if any) is most appropriate for any particular circumstances. Decisions need to reflect both shorter-term and strategic views of the desired outcomes for communities. Consolidation almost always works best after extensive consultation with, and wherever possible with the imprimatur of, the local community (broadly defined to include a wide range of local and regional stakeholders). The case studies reveal that inadequate engagement and consultation with all those affected reduce or offset potential benefits of consolidation, especially by increasing uncertainty and anxiety about the future, and compounding the inevitable disruption associated with significant change.

6. It became clear from our research that in most cases the costs of change and dislocation were underestimated and too rarely factored into the cost-benefit equation for adopting particular options. However, this comment also applies to the ‘do-nothing’ option, which may well have significant opportunity costs by retaining arrangements that clearly need to be improved. Those ‘do-nothing’ costs also need to carefully and openly examined.

7. It follows that moves to consolidation of whatever form should not be rushed. Time is needed to consult widely and properly consider all options and their implications. Appropriate expertise needs to be engaged to explore the issues involved and potential costs and benefits. The additional expenditure and extended timeframe involved are likely to prove less costly than having to repair (or unwind) sub-optimal solutions. (On the other hand, we note the experience of Geraldton-Greenough, where after a long period of debate – and careful investigation – support emerged to make a significant
change and the political leadership determined to ‘seize the day’, even though it involved moving somewhat faster than they might have preferred.)

8. Motivation and leadership to find the most appropriate solution based on a rigorous and honest assessment of what needs to be done are essential. For example, where councils implement shared services or some form of regional alliance primarily as a means of countering moves towards amalgamation, it is unlikely to result in a lasting partnership and genuine benefits to the collective of councils and communities involved.

9. Good governance (including sound management support) is therefore fundamental to any form of consolidation. Critical aspects of governance revealed by this study are:
   - The development of a clear and robust rationale for the consolidation process
   - Meaningful consultations with all affected parties at the start and during the process of change, plus trust and ‘good faith’ in negotiations
   - Commitment and effective leadership at both political and chief executive levels with, in the case of amalgamation, transitional arrangements for both forms of leadership agreed at the outset
   - Negotiating the most appropriate form of governance of the new arrangements, noting that these are best treated as a fresh start, rather than a ‘take-over’ by one party
   - In the case of shared services, ensuring that cooperative arrangements or newly created entities are designed to engender continuing commitment (political and managerial) and provide necessary specialist expertise
   - Recognising that change has costs and that securing staff buy-in is critical to success
   - A realistic timetable for implementation
   - An objective, independent and ongoing evaluation program.

10. The case study of governance of shared services in New Zealand’s Waikato and Bay of Plenty regions offers several valuable insights, as does the failure of the New England Strategic Alliance.

Efficiency

11. A distinction needs to be drawn between internal cost savings and reduced rates and charges to consumers of local government services. Some case studies revealed cost reductions in specific functions or areas of service delivery (e.g. savings in administrative overheads or waste management), but the evidence strongly indicates that such savings need to be ploughed back into other areas, notably asset management. We can conclude that any efficiency gains from consolidation should not be expected to deliver significant reductions in rates and charges, as has often been claimed. Greater efficiency is more likely to be reflected in enhanced strategic capacity or improved service delivery (see below).
12. At the same time, there is little evidence that amalgamation will of itself yield economies of scale greater than those achievable through other forms of consolidation, or that such economies are available across many of local government’s functions by whatever means. We found few robust examples in the literature, in the case studies we examined or in the experience and knowledge of the experts with whom we spoke. Yet many in central government – and some in local government – still cling to the belief that substantial savings can and should be made.

13. Importantly, even where economies of scale can be demonstrated, in few cases have the full costs of amalgamation been factored into the calculation of net savings. It is clear that amalgamation (and some other forms of consolidation) imposes considerable costs in dislocation and developing new arrangements and new cultures. Typically, these costs have been borne by the councils themselves; ironic when amalgamation is proposed to address financial problems. They can also be incurred by the community, such as in longer travelling times to get to service centres or facilities.

**Strategic capacity**

14. The study has revealed that consolidation provides important opportunities to capture economies of scope and enhance the strategic capacity of local government. Economies of scope increase the capacity of councils to undertake new functions and deliver new or improved services that previously were not possible. Significantly, they enable councils to shift their focus towards a more strategic view of their operations. We argue that this enhanced strategic capacity is in part a function of increased size and resource level, but it is also related to the potentialities that are created by the pooling of knowledge and expertise. The process of consolidation can generate a focus that transcends individual local government boundaries and encourages councils to operate in a broader context – one that is more regional or system-wide – and enables them to relate more effectively to central governments. Enhanced strategic capacity appears essential to local government’s long term success as a valued partner in the system of government, and this emerged as probably the most important issue for councils to consider in examining different modes of consolidation.

15. A difficult question to determine is whether economies of scope and development of strategic capacity are stronger with amalgamation than with other approaches to consolidation. Several of those interviewed for this research argued strongly that amalgamation is the best route to strategic capacity. It would appear that larger (and fewer) amalgamated councils are more likely to be engaged as partners with state or national governments in regional planning or governance arrangements, and to be able to exert real influence. However, this is not an ‘either-or’ situation: we found that larger, amalgamated councils can still find advantages in pursuing even greater consolidation through shared purchasing schemes or regional advocacy groups.
16. Shared services may also enhance strategic capacity to varying degrees, but this would appear to require more robust and powerful regional structures – such as semi-autonomous arms-length entities. This may in turn have impacts on local democracy (see below). Looser forms of regional collaboration are least likely to deliver substantial strategic capacity.

17. This newer evidence about the value of strategic capacity, and that it may be strongly linked to larger units of local government, means that amalgamation should not be ruled out as an option simply because other forms of consolidation can yield economies of scale or scope, or because amalgamations have not been shown to generate significant cost savings or rate reductions.

Service delivery

18. A wide range of innovative and improved approaches to service delivery have been adopted or are under consideration through the process of consolidation. Numerous examples emerged such as the shared services agencies in the Waikato and Bay of Plenty case study, or developments through other forms of regional or state-wide service delivery – as in South Australia – or sharing a CEO between small councils. However, what is also clear is that in Australia state government regulation that limits creation of robust arms-length entities can be a constraint to further innovation by councils, and serious consideration needs to be given to amending legislative provisions that may unnecessarily constrain options for establishing council businesses. The provisions and models applying in New Zealand should be examined as an alternative approach.

Local democracy

19. From both the case studies and the interviews, it appeared that there was relatively little concern about the impact of consolidation on the strength of local democracy – although the Delatite example shows that loss of local identity may be a potent factor if not understood and effectively addressed. This limited focus on democracy may be due to several factors. First, that any impact on democratic representation and/or public access to decision-making may not be overt and readily appreciated in forms of consolidation such as shared services or regional alliances. Second, public concern may simply dissipate once an amalgamation and reduction in numbers of elected representatives has been completed and ‘the dust has settled’. Third, in some cases specific provisions were put in place to ensure that democratic arrangements were not unduly affected, such as maintaining a relatively high ratio of elected member to constituents, or implementing new institutional arrangements and structures to ensure adequate community engagement and access to council. Fourth, it may be that, as a whole, councils are nowadays more conscious of the importance of transparency, accountability and access, and have made improvements with regard to these irrespective of any consolidation activity.
20. None of the above is to suggest that issues of local democracy and representation are unimportant and should not be considered fully when weighing consolidation options. Australia has high ratios of population per councillor compared to Europe, North America and the UK, and for the most part councillors are part-time. The justification and implications of moves to cut the number of councillors need to be carefully examined, especially when this is often a key factor in generating opposition to amalgamations.

21. The case studies of Geraldton-Greenough and Onkaparinga highlight the merits of retaining a relatively large number of councillors, as well as the value of ward-based systems of representation and place management approaches to community engagement, planning and service delivery, to limit adverse impacts on local identity and representation.

The limits to consolidation?

22. Our case studies and interviews suggest that there is a ‘cut-off point’ in terms of feasible consolidation, especially where considerable travel distances are involved. Shared services may be impractical or yield very limited benefits; travel distance becomes prohibitive for effective amalgamations; democratic representation simply becomes too onerous; and establishing any form of community of interest difficult. It has been clear from cases in Tasmania, Queensland and South Australia that where this point is reached, state governments have typically left those councils alone. But this, of course, raises questions about what, if anything can be done to enhance the capacity and viability of small (in population), more remote councils, many of which may be facing severe financial pressure. Perhaps quite different options will need to be considered, such as a ‘second division’ of local government with reduced responsibilities, or un-incorporating the areas involved and managing them through special-purpose boards and township committees outside the local government Act (as in the Outback Communities Authority in South Australia and the Western Division of NSW).

23. At the other end of the spectrum, consideration needs to be given to whether there is a preferred upper limit to the size of councils in the Australian context. In the foreseeable future South East Queensland will have five or six councils with populations in excess of 0.5 million, and Brisbane City itself will have reached a population of around 1.25 million. This raises important questions about management structures and capacity, as well as the nature and quality of local democracy. For example, should Brisbane City’s system of a (semi) executive mayor and single member wards with full-time, well-resourced councillors be duplicated elsewhere? Does it provide effective local democracy? The recent amalgamation of Auckland councils into a ‘super city’ has also thrown these issues into sharp focus and it will be important to capture the lessons from its arrangements of elected local boards and arms-length entities for most service delivery.
Facilitating consolidation

24. Despite the criticisms levelled at past involvement of state and national governments in driving amalgamations, the evidence does indicate a continuing important role for those governments in facilitating and funding consolidation initiatives. Local government associations also have a significant role to play, as evidenced by the South Australian experience where the association has a strong record of supporting reforms appropriate to the sector in that state.

25. Suggestions have been made about the importance of ongoing, independent analysis of local government boundaries through arrangements similar to those of electoral commissions. (Such a model is used in South Africa with the Municipal Demarcation Board.) Any such arrangements would need to be collaborative, well resourced, predictable, open and independent in providing advice to national, state and local governments. Importantly, for the sector, it might forestall any unwarranted or inappropriate central government intervention. However, it should be noted that Australian state governments have a long history of bypassing statutory boundary commissions (or the like) when they conclude that sweeping change is essential and urgent.

...so if consolidation is the answer, what is the question?

26. The last two points raise broader questions about the general relationships between central and local governments. It appears that there is still too much focus on the institutional arrangements of the local government system in each jurisdiction, rather than on the fundamental issue of the societal functions performed by local government. On the grounds that ‘form follows function’, it would be more productive for all parties to focus on the critical functions councils undertake – or need to undertake – on behalf of their communities (such as promoting community wellbeing, constructing and maintaining essential infrastructure, facilitating economic development, managing the environment, providing leadership and delivering a sense of identity). The first questions asked should be: what needs to be done to improve local government’s performance in discharging these critical functions? And how should local government’s role and functions evolve over coming decades? Provided the answers flow from rigorous inquiry, all concerned might be in a better position to select the structural arrangement(s) that need to be pursued.
2. Case Studies

2.1 Shared services

Bay of Plenty and Waikato Local Authority Shared Services
This case focuses on Bay of Plenty Local Authority Shared Services Ltd (BOPLASS), a separate entity established to provide services to a region in New Zealand. It was based on an earlier variation adopted in a nearby region, Waikato LASS Ltd. Its genesis was in the need to establish a ‘radical collaboration’, in part to obviate the possibility of amalgamation, in part to protect local governance. The critical element is the establishment of a formal entity to deliver shared services, based heavily on the introduction of a high-speed fibre-optic network linking all of the councils.

Building trust among participants is critical to developing confidence in shared services. Important factors include starting small, gaining some early successes, and clear and accurate reporting of financial information.

Governance matters as does chief executive commitment. This is both choosing an appropriate structure, and understanding what makes for good governance. Waikato’s failure to engage all councils at board level contrasts with Bay of Plenty’s insistence that all councils be represented by their chief executives, and that chief executives understood the different roles they brought to the board table.

There is a fundamental difference between ‘shared services’ expressed as a single provider selling services to individual councils, and ‘shared services’ as a means of facilitating different councils to develop specialisations which they can then perform for other councils. The emerging ‘centres of excellence’ model in the Bay of Plenty reinforces the autonomy and capability of smaller councils. The more conventional approach of a single provider selling services would threaten that autonomy and undermine support for shared services.

Conceptualising shared services as fundamentally an exercise in information management is a major breakthrough – it removes any concern over the loss of access to/control of data and is also key to a genuine ‘centres of excellence’ approach. It also opens up the potential for each service for which a council is responsible to be managed and delivered so as to optimise economies of scale without the need to take the potentially disruptive approach of amalgamation.

Eastern Health Authority (EHA), South Australia
The EHA provides a range of environmental health services to the community on behalf of five councils in the eastern and inner northern suburbs of Adelaide. It is a regional subsidiary established under Section 43 of the Local Government Act 1999.

This is a traditional shared services model with one entity providing services for its constituent organisations. The EHA experience demonstrates that this kind of arrangement can work with positive feedback from clients. Its successes include the following:
• Ability to attract and retain skilled and competent staff
• Transparency and accountability of operations and cost structures
• Improved relationships, communication and reporting over recent times
• Ability to more quickly respond to new legislative requirements
• Development of a fair and equitable funding formula
• Efficient and effective service delivery as evidenced by community satisfaction surveys.

There are some concerns. While the ‘arm’s length arrangement’ provides some protections and guarantees a level of continuity for the service, council CEOs do not have control over the activities of the authority and this may represent a deterrent to establishing similar organisations for other services. The Authority also needs to work hard to ensure that it is not seen as an outsider organisation by its constituent councils.

North-East Councils, South Australia

This case study reviewed the experiences of four small rural councils in the South Australian Flinders Ranges. Their combined population is less than 8000. The councils have worked together successfully and shared staff in areas such as development assessment, environmental health, auditing and fire safety – although the experience of two of the councils with shared corporate services between 1997 and 2003 was not positive. Nevertheless, all four have entered into an alliance known as the Flinders Shared Services Group. This is coordinated by the council CEOs with input from councillors.

With assistance from the LGASA, the Group has completed a scoping study and a lengthy consultation process around options for extending shared services into administrative functions as well as waste services. However, well into the negotiations, one council resolved not to proceed with shared administrative services, and two chose to join an alternative group for waste management.

Prospects also exist for shared arrangements with the City of Port Augusta, which while not interested in an amalgamation, has indicated a willingness to share resources with its neighbours. This presents real opportunities for access to a larger range of facilities and programs, as well as a greater number of specialised professionals.

Although work around shared services continues, long term financial viability is an issue for most of the four councils. There have been moves to explore amalgamations, but these have not progressed due to concerns about local identity, maintenance of services and job losses.

Key findings of the case study include:

• Whilst increased efficiency and professionalism were seen as benefits, the impetus for shared services derived to a large extent from the fact that for positions such as the Development Officer and Environmental Health Compliance Officer, there was simply not enough work for a full time employee in any one council. There has been no formal evaluation on the impact of shared arrangements on service levels.
• Although strengthening strategic capacity was not a primary objective of shared services, the arrangements have allowed for employment of more specialised
staff with strategic as well as operational skills. It was acknowledged that as small rural councils it was difficult to get the necessary support and backing of the state government. Economic growth strategies in particular require resources and influence beyond the current capacity of the individual councils.

- Communities in these council areas are generally satisfied with their local councillors and reluctant to lose this level of representation. However, there are examples where residents were sufficiently unhappy with the quality of representation to seek to be part of another council area.
- The compliance burden on small councils is already very high, so additional administrative responsibilities associated with partnerships need to be properly resourced. Formal agreements and structures need to be well thought through to accommodate the needs of the member councils and to ensure their practical workability. Entering into shared arrangements just to avoid amalgamations is problematic; there has to be a real commitment to the value of a shared service arrangement for it to work.

2.2 Regional alliances

**New England Strategic Alliance of Councils (NSW)**

In 2003 the NSW Boundaries Commission recommended the amalgamation of four councils in the New England region of NSW. Despite the recommendation, the Minister for Local Government approved the trial of a strategic alliance as requested by the four councils, to become known as NESAC, the New England Strategic Alliance of Councils. The approval stipulated a 12-month trial period from 2004 and the Alliance was subsequently extended. However, the arrangement broke down in 2009, the reasons for which have been reviewed in detail by the NSW Department of Local Government.

Among the various reasons offered were: the weak motivation of councils entering into such arrangements (probably determined primarily as a means of keeping amalgamation at bay); the lack of consensus on the nature and extent of the reforms being implemented; and the complex and unworkable governance arrangements that were adopted.

Following a further inquiry in 2010, a recommendation for the amalgamation of three of the former NESAC councils was also rejected by the NSW Local Government Minister in favour of another collaborative model. This new approach is linked to planning and reporting reforms and could result in the development of a regional community strategic plan, an option allowed under the *NSW Local Government Act*.

Questions remain as to whether the councils will have learned from the NESAC experience and are willing and able to establish the leadership and the governance structures to make the new arrangement work.

**NSW Regional Organisations of Councils**

The Hunter Councils group and Riverina East Regional Organisation of Councils (REROC) demonstrate how the ROC model can be used as a framework for very different approaches to
the provision of shared services and other cooperative activities between councils on a regional basis.

Hunter Councils has developed a unique, strongly entrepreneurial model that achieves major economies of scale in selected areas of activity by extending its services beyond the region and to non-council customers. REROC has taken a more conventional, though still systematic, approach that is more likely to be adopted by a wider number of ROCs. Both models share some common characteristics, including:

- A strong sense of regional identity and cohesiveness, backed by an integrated regional economy
- Membership comprising a combination of smaller councils which have a strong incentive to obtain the benefits of regional cooperation, and one or two larger councils which provide ‘critical mass’
- The funding of a comparatively small, separate secretariat to manage the organisation and develop and administer regional projects
- The adoption of a voluntary, ‘opt-in’ approach to the participation of councils in projects
- The adoption of clear objectives to reduce the costs of councils and achieve economies of scale and scope for member councils
- Commencement with one or two examples of joint activity that were selected as likely to yield positive outcomes, and their subsequent successful implementation
- Expanding on the success of these activities to develop additional projects with financial benefits or which address clear needs of member councils
- Leveraging their collective ‘social capital’ to undertake regional advocacy, apply for grant funding on a collective basis and coordinate a wide range of development projects
- The provision of opportunities for councils to engage in the wider strategic regional context.

While these are both successful examples, they also highlight some issues with the ROC model, such as:

- Its dependence on the collective drive and enthusiasm of key participants who have to be able to transcend political differences and parochialism over an extended period of time.
- The process of project selection. To an extent ROCs initially at least choose projects that are most likely to achieve immediate financial outcomes. It is harder to take on projects that are more complex, which may threaten entrenched interests or those involving council core operations that may result in significant reductions in council staff.
- The potential for larger councils to believe that they benefit the least from ROC membership in terms of scale economies, especially when their size does not confer any additional voting rights.
- The lack of a good model for corporate governance. Neither the incorporated association nor the limited company models seem entirely appropriate, and in any case
current NSW legislation makes it virtually impossible for a ROC to form a commercial company.

- The potential for tension between elected representatives and general managers (CEOs) who may bring different agendas to the ROC.
- The dependence of the regional advocacy role of ROCs on a high degree of consensus between member councils.
- The broader issue of the relationship to regional governance. Although ROCs could evolve to take on some elements of a regional governance role, this may be resisted by both member councils and state governments, though for differing reasons.

2.3 Voluntary amalgamation or boundary reform

City of Onkaparinga (SA)

The City of Onkaparinga was formed during the mid-1990s round of amalgamations in South Australia in the 1990s, involving a merger of Happy Valley and Noarlunga councils along with the major part of Willunga council. This created the largest council in South Australia, by population, with over 145,000 residents. The current population is around 160,000.

The amalgamation seems to have experienced few of the problems occurring elsewhere, although it has resulted in only minor cost savings (even less when the expenses of the process appear not to have been adequately quantified). Its success appears to have been based on the following factors:

- A recognition that while the area concerned was quite diverse there were overlapping communities of interest
- While the amalgamation process was driven by the state government, the ability of councils to discuss and develop their own amalgamation proposals gave them a degree of ownership of the process
- The flexibility that the new council had in relation to staff reallocations and redundancies: while there is a strong argument both on moral and pragmatic grounds for the staff of amalgamating councils to be offered protection in the merger process, it can also be argued that if they are taken too far these protections will make it difficult to restructure the council and realise some of the benefits of amalgamation
- The maintenance of a high level of representation relative to some other amalgamations through the retention of a comparatively large number of councillors
- The development of the independent community forums to provide an interface between the council and the community, particularly in areas where the level of councillor representation had changed significantly
- The decision by the amalgamated council to create a ‘new’ organisation, starting with the appointment of a new CEO who did not come from any of the amalgamating councils.

The development of strategic capacity appears to have been a much more significant outcome than any cost saving. In particular, a formal strategic planning process was developed to a level of sophistication not achieved by the merger partners previously.
Geraldton-Greenough (WA)

Prior to amalgamation of the two councils this was a classic ‘doughnut’ situation with the Shire of Greenough surrounding the city of Geraldton and absorbing suburban growth. Whilst both councils were operating satisfactorily, pressure for change had been building over a long period. Previous unsuccessful moves for amalgamation or boundary change were made in 1998 and 2002, and the former Geraldton-Greenough Regional Council, which handled waste management, had offered some experience of collaboration.

The amalgamation appears to have been a success in achieving the anticipated benefits:

- Additional highly skilled staff have been attracted or retained
- The new council has certainly offered a stronger regional voice
- There has been more emphasis on economic development
- Strategic planning has improved.

On the whole, there has been little adverse reaction from the community, but there is some lingering concern about loss of Shire identity and a perception – especially in parts of the business community – that the new council has yet to deliver sufficient tangible outcomes.

The case revealed a number of lessons for similar types of voluntary amalgamations:

- The fundamental importance of political leadership, good faith and a focus on resolving issues
- A longer lead-time before amalgamation might have helped, but there was a need to ‘seize the day’ once political consensus had been achieved
- A newly amalgamated council needs to get ‘runs on the board’ quickly to demonstrate its worth and to maintain community confidence in the change process
- Amalgamation concentrates a lot of changes that were probably needed anyway into a tight timeframe, e.g. introduction new IT and accounting systems
- It takes some time for both senior staff and councillors to learn how to run a much bigger organisation with greatly enhanced capacity that is also working for a ‘new community’, and this shift in scale, capacity and focus also creates a need to bring in new skills.

Whilst no formal evaluation has been undertaken, there is little doubt that the chief gain of the amalgamation has been increased ‘strategic capacity’: a higher profile, more capable council better placed to work for its community in terms of addressing new agendas and ‘big picture’ issues. In particular, the new council believes it is taken far more seriously as a partner by state and federal governments. This perceived success has been a key factor in a new proposal for a merger with Mullewa Shire, which is to be based on a decentralised ‘place management’ model. Both the approach taken in creating Geraldton-Greenough and this model for adding a much smaller rural shire appear replicable in similar situations elsewhere.

The case study tends to confirm findings from the literature and recent Australian experience in general that economies of scale, cost savings and efficiency gains were not key factors, and that benefits were tempered by significant transition costs and disruption – but the long-run
gains are considered to outweigh those disadvantages. There are no substantial concerns about loss of local democracy/representation.

City of Mt Gambier and District Council of Grant (SA)
This approach to consolidation involved voluntary collaboration between councils which agreed to readjust their boundaries to accommodate significant changes that had occurred in their council areas. The boundary adjustment was gazetted in June 2010 and represented the largest adjustment undertaken by a South Australian council since 1996-97. It added 25% in area to Mt Gambier City. Neither council was interested in developing the collaboration further to embrace formal consolidation, although they are exploring the possibilities of stronger regional arrangements.

From the case, we observed the following lessons:

- By taking a lead in initiating the structural reform, rather than leaving it to other key local and state government bodies, the District Council was able to negotiate an outcome that best suited its long term objectives.
- The willingness of both councils to work as a genuine partnership was a factor in the success of the boundary reform and in shared service arrangements.
- The councils are now advocating a better-resourced regional organisation of councils to facilitate greater efficiencies and improved service delivery to their communities.

2.4 Forced amalgamation

Central Highlands and Sunshine Coast, Queensland
Central Highlands and Sunshine Coast Councils were formed as a result of a major program of forced amalgamations announced by the Queensland government in 2007 and implemented in 2008. The Queensland amalgamations have to be seen in the context of the adoption by the state government of an increasingly regionalised approach to planning over the past two decades. They emerged from concerns about the long term financial viability and capacity of some smaller councils, as well as the need for a more strategic regional approach to deal with growth issues facing the state, including mining development and urban sprawl spreading across council areas in South East Queensland.

What began as a voluntary planning process led by the local government association (‘size, Shape and Sustainability’ review) morphed into appointment by the Queensland government of the Local Government Reform Commission (LGRC) to propose ‘structural changes to ensure strong, effective and financially viable councils’. The Commission provided a short period for public responses but rejected all the options proposed as alternatives to major amalgamations.

The Central Highlands and Sunshine Coast amalgamations share broadly similar outcomes such as:

- A strong basis for future improvements in strategic capability, efficiency and service delivery
A foundation for a more strategic and integrated approach to planning, development and environmental management

Improved the linkage between local planning and the state government’s regional planning and service delivery framework

Elected representatives adopting a more strategic and less parochial approach.

However, the amalgamations were not without some problems:

- Amalgamating councils incurred millions of dollars in costs without any compensation, thus cancelling out any efficiency gains at least for several years
- Reduced levels of democratic representation
- Little real community input to the amalgamation decisions
- The short timeframe forced councils to prioritise the development of new structures and to defer attempts to achieve the improvements in strategic capability
- Undermining one of the rationales for larger councils by removing aspects of water management from the direct control of South East Queensland councils and removing a major urban development project from the control of the Sunshine Coast Regional Council
- Exposure of councillors and mayors elected to form the first post-amalgamation councils to continued opposition to amalgamation (Sunshine Coast), and the consequences of unpopular decisions such as rates equalisation (Central Highlands)
- An employment guarantee that may have been too sweeping in its scope and which in some cases has only deferred the inevitable rationalisation of council staff
- Amalgamations that in some cases (e.g. Sunshine Coast) may not have reflected the best option available in terms of communities of interest, and which may yet result in diseconomies of scale with the potential for de-amalgamation in the future.

The Queensland process highlighted strategic capacity outcomes rather than economic or efficiency gains, and seeks to integrate local government more within a regional planning and service delivery framework. However, alternatives to forced amalgamations that may have achieved similar objectives were never fully explored, nor was there any real negotiation of key process issues such as which councils got amalgamated or the timeframe.

Sweeping amalgamations of this nature involve massive cultural and other changes, such as creating a council on a vastly different scale (Central Highlands), or merging councils with very different cultures (Sunshine Coast). Recognition needs to be given to the pressures that are placed on merging councils when time-frames and resourcing do not take into account the broader monetary costs and dislocation involved.

2.5 De-amalgamation

Delatite (Victoria)

This case study was a desktop analysis of a rare – if not unique – example [at the time] of de-amalgamation in Australia. Following the Kennett government’s amalgamations of local
government in the 1990s, sections of the community in part of Delatite initiated a campaign to have the amalgamation overturned. This … was ultimately successful.

Some the more relevant observations are outlined below:

- The most important and probably most unsurprising conclusion is that hasty and poorly planned amalgamations that do not involve adequate consultation will result in poor outcomes and disaffected communities. This situation is exacerbated when amalgamations are pursued primarily on cost saving grounds and without regard to strategic outcomes.
- However, this is not an argument against amalgamations *per se*: rather, in this case a more strategic approach probably would have highlighted the lack of a substantial rationale for merging such disparate and far-flung communities as Benalla and Mansfield (the major centres in the merged council).
- Well-organised grassroots campaigns can achieve significant outcomes, especially if they can impact on strategic decisions early in the political process on an issue such as amalgamation. The initiative of the Mansfield residents group to put de-amalgamation on the agenda before the wider communities were engaged in the discussion helped to set the framework and parameters for the subsequent debates.
- The success of this de-amalgamation campaign echoes the attempts of residents’ groups in small, relatively distinct and cohesive urban communities comprising well-educated and affluent residents (for example, Pittwater and Hunters Hill in NSW, Walkerville in South Australia or Noosa in Queensland) to seek or retain their own councils and to staunchly oppose amalgamation. In fact, the Delatite de-amalgamation has been used by some of these groups as a model for their own campaigns.
- Notwithstanding the success of the Mansfield-based campaign, there is a lingering question mark over the extent to which Mansfield residents – let alone the whole Delatite community – supported de-amalgamation and the attendant costs. An alternative approach to the question may have framed the community survey differently to achieve a more satisfactory outcome.
- There are obvious lessons for governments that community consultation has to be undertaken comprehensively and seriously when major structural changes to local government such as amalgamations (or de-amalgamations) are contemplated. These processes need to be able to balance out the strongly articulated views of specific interest groups against those who may be less articulate and not as well organised.